

G.A. Haan Development

Solutions in Affordable Housing



September 9, 2007

Ms. Mary Levine, Director of Legal Affairs
Michigan State Housing Development Authority
735 East Michigan Ave.
Lansing, MI 48909

Re: Draft QAP

Dear Mary,

Our main concern over the draft QAP is the limited supply of credits available for the Northern area of the state. Specifically credits that can be used by for profit developers to build new family and senior developments as well as preservation. As you and your staff are well aware MSHDA is the only agency helping to provide adequate housing in rural Michigan. The role that USDA Rural Development once played is no longer viable; the citizens of less urban areas must rely on the development of tax credit apartments. In addition to the lack of Rural Development new construction, the existing HOME Team advantage program from the authority is becoming a less viable solution. With higher mortgage rates, depressed tax credit values, stagnant rents and higher energy costs; once healthy HOME Team projects are now upside down and not easily underwritten. The only real solution for housing for the working poor of northern and rural Michigan is the 9% tax credit program. Although this group may not be homeless, they might be close to homeless, and although they might not be classified by HUD as 'special need' they are in need of housing, they work for a living and they pay rent; however, in many cases they are the working poor.

We would suggest the following solutions. First, increase the total rural set aside to 20% of the states total, taking 5% from DHHP, and using the spare 5% which had not been allocated as of the draft printing. Secondly, we would suggest that the non-profit rural classification be removed. To defend this suggestion I would offer that only 3 of the top 10 affordable housing developers in the country are non-profit, and I am sure those three present great applications encompassing great locations and never need preferential treatment; we should strive for the very best in Michigan; In addition, the states requirement for nonprofit is satisfied by two other large categories. My additional suggestions deal with the timing of the rotation and the 'one affordable assisted project' I believe it is important that the timing of that allocation (not to exceed \$600k) is done on the opposite cycle from the northern areas of the state. One need to remember that under this draft, the only opportunity for typical LIHTC housing in northern Michigan is under this set aside; by moving that deduction to the lower state cycle we insure more credits are available in Northern Michigan. Also pertaining to the rotation, I feel that since so much of the credits will be focused to the south (45% DHHP / 15% PDC = 60% solely southern part of the state) that the first rotation should be focused to the north.

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Currently the outcome from the QAP would only yield approx. \$220,000 of credits to be used by for profit developers in the two northern regions. This would not be enough to complete one single 30 unit development in over half of the state. By encompassing the above mentioned suggestions, the total allocation increases to \$1,900,000. This is a more realistic level to distribute to this portion of the state and rural areas. There are thousands of RD 515 units in these regions that are desperate for renovation, and little new construction since the last RD project were constructed. In addition, there are designated cities in this region such as Sault Ste Marie as a 'cool city' which under the current draft would not be included in the PDC's; and would only be able to receive much needed assistance thru this set aside.

It seems unfortunate that the authority seems to be attempting to solve or address a federal social service problem by using such a limited state resource. The social service gap caused by the continued elimination of programs and cost cutting measures from Washington have created a large demand for services that were once financed thru numerous federal programs. The use of LIHTC will continuously fall short of filling that gap and if not carefully monitored may compromise the original intention of providing affordable housing.

We do feel uncomfortable in some ways sharing opinions with out seeing the actual scoring criteria, I am told that will be released soon, I would reserve additional comments till that has been reviewed.

Sincerely,

Gerald Haan

Cc: Congressman Bart Stupak
Congressman Dave Camp
State Senator Jason Allen
State Representative Gary McDowell